

2002 Business Tax Rate Change

Business
tax
notice

Chapter 856 of the Public Acts of 2002 (the Tax Reform Act of 2002), amends the business tax law by increasing the maximum business tax rates set forth in Tenn. Code Ann. Section 67-4-709(b) by 50% and providing that the state will receive 100% of the increase, including any penalty and/or interest related to the increase.

Persons or entities having business tax transactions on or after September 1, 2002, must remit payment at the new rate for those transactions.

Taxpayers having transactions occurring prior to September 1, 2002, will file a short period return, utilizing the return form and the rates that were in effect prior to September 1, 2002. Taxpayers having transactions occurring after September 1, 2002, will file utilizing a revised return form reflecting the new tax rates. Persons filing monthly will file returns on transactions occurring through August 31, 2002, on the old return form.

The Department of Revenue will administer Public Chapter 856 in accordance with its intent to increase the business tax rates adopted by each county or municipality by 50% with the entire increase going to state, rather than local, government. Local governments will continue to collect business taxes at the rates that they have adopted. However, under the new law, the local governments must also collect an additional 50% of the rates that they have adopted and remit the entire increase collected to the Department of Revenue for state use.

Tenn. Code Ann. Section 67-4-724(a) is amended so that it now requires each county or municipality to remit all of the 50% increase in business tax collections, including any related penalty and/or interest, received as a result of the enactment of Public Chapter 856, to the Department of Revenue in addition to the 15% of local tax collections that currently are remitted to the department.

In addition, Tenn. Code Ann. Section 67-4-713(a) is amended by adding subsection (a)(8) which states that personal property taxes that are allowed as a credit against the business tax liability may not be taken as a credit against the portion of the business tax added for state purposes as a result of Public Chapter 856.

Maximum business tax rates now set forth in Tenn. Code Ann. Section 67-4-709(a), including the 50% increase for state purposes, are shown below. Not all cities and counties have adopted maximum rates, so the business tax rate, including the 50% increase for state purposes, paid by a person or entity may be less than the maximum rates shown below.

All tax rates are increased by 50% for Class 1 through Class 5. The new maximum rates are as follows:

Classification 1:

(A) One-tenth of 1% of retail sales of businesses classified under Tenn. Code Ann. Section 67-4-708(1)(A);

(B) One-fortieth of 1% of wholesale sales of businesses classified under Tenn. Code Ann. Section 67-4-708(1)(A);

(C) Three-eightieths of 1% of wholesale sales of businesses classified under Tenn. Code Ann. Section 67-4-708(1)(B) and (C).

(D) One twentieth of 1% of retail sales of businesses classified under Tenn. Code Ann. Section 67-4-708(1)(D).

Classification 2:

Three-twentieths of 1% of all the retail sales of the business and three-eightieths of 1% of all the wholesale sales of the business.

Classification 3:

Three-sixteenths of 1% of all the retail sales of the business and three-eightieths of 1% of all the wholesale sales of the business.

Classification 4:

One-tenth of 1% of the compensation entitled to under the contract, whether in the form of a contract price, commission, fee, or wage, by the persons in Tenn. Code Ann. Section 67-4-708(4)(A) and one-tenth of 1% of the gross commissions, margins, fees, or other charges by the persons in Tenn. Code Ann. Section 67-4-708(4)(B).

Classification 5:

Three-tenth of 1%) of the gross income of the business, subject to the following:

- minimum tax of \$450 per annum
- minimum tax of \$1500 per annum

Have questions or comments? Please let us know. [Contact us.](#)

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Business Classification	Tax Period	Old Rate Short Year	New Rate Short Year	Both Forms Delinquent Date
Class 1A, 1B, 1C	Jan 01, 2002 to Dec 31, 2002	Jan 01, 2002 to Aug 31, 2002	Sept 01, 2002 to Dec 31, 2002	March 01, 2003
Class 1D – Fuel	Jan 01, 2002 to Dec 31, 2002	Jan 01, 2002 to August 31, 2002	Sept 01, 2002 to Dec 31, 2002	March 01, 2003
Class 2	Apr 01, 2002 to March 31, 2003	Apr 01, 2002 to Aug 31, 2002	Sept 01, 2002 to March 31, 2003	June 01, 2003
Class 3	Jul 01, 2002 to June 30, 2003	Jul 01, 2002 to August 31, 2002	Sept 01, 2002 to June 30, 2003	Sept 01, 2003
Class 4	Oct 01, 2001 to Sept 30, 2002	Oct 01, 2001 to Aug 31, 2002	Sept 01, 2002 to Sept 30, 2002	Dec 01, 2002